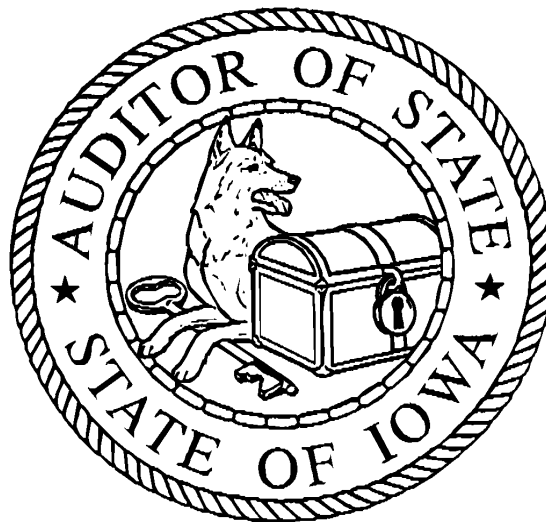


CITY ACCRUAL AUDIT PROGRAM GUIDE

(for use in conjunction with the City Audit Program Guide)

For the year ended June 30, 2008



DAVID A. VAUDT, CPA
AUDITOR OF STATE

CITY Sample City Accrual

June 30, 2008

OPEB PLANNING CONFERENCE
GAAP Basis

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CITY Sample City Accrual**June 30, 2008****OPEB PLANNING CONFERENCE
GAAP Basis**

IN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title

(A) Explain OPEB to the auditee.

- Discussion should include implicit rate subsidy OPEB which will apply to most cities.

(B) Determine and document whether the City has an OPEB.

- City and auditor should review policies, union contracts, employment contracts, retirement plans, etc. **Check applicable items below:**

_____ City has an explicit OPEB – briefly describe plan

_____ City has an implicit OPEB

- This will apply to all cities that provide health/medical benefits to current (active) employees
- Will apply in most cities

_____ City does not have an OPEB (**not likely an option, see implicit OPEB above**)

(C) If the City has an OPEB (explicit, implicit or both), determine and document when the City must implement the provisions of GASB Statement 45. **Check applicable item below:**

- Phased in implementation – based on applicable GASB Statement 34 implementation phase:

_____ Phase I – fiscal 2008

- Fiscal 1999 revenues of \$100 million or more

_____ Phase II – fiscal 2009

- Fiscal 1999 revenues of at least \$10 million, but less than \$100 million

_____ Phase III – fiscal 2010

- Fiscal 1999 revenues less than \$10 million

CITY Sample City Accrual**June 30, 2008****OPEB PLANNING CONFERENCE
GAAP Basis**

(D) If the City has an OPEB (explicit, implicit or both), determine and document whether the City must obtain an actuarial valuation and how often using the following guidance from GASB Statement 45:

- Actuarial valuation requirements – **check the option that applies:**

_____ For plans with total membership of 200 or more

- Opinion must be acquired at least biennially (every two years)

_____ For plans with total membership of less than 200

- Opinion must be acquired at least triennially (every three years)

_____ For plans with total membership of less than 100

- City allowed to use an Alternative Measurement Method to determine required information.
- Discuss feasibility of the Alternative Measurement Method

_____ Check here if City plans to pursue using this method

- **NOTE:** New valuation should be performed if, since the previous valuation, significant changes have occurred that would affect the results of the valuation (changes in benefit provisions, size or composition of population covered, medical trend rates).
- Determining plan membership – sum of the following:
 1. Employees in active service (those that will draw a benefit from the plan)
 2. Terminated employees who have accumulated benefits but are not yet receiving them
 3. Retired employees and beneficiaries of deceased retirees currently receiving benefits

(E) Discuss when the City should begin the process of obtaining an actuarial valuation:

- For entities required to implement in fiscal 2009 – start **early FY09**
- Actuary opinion must be completed (dated) no more than 24 months prior to the start of the period covered by the valuation (not even one day sooner).
- Where to locate an actuary:
 - ♦ Iowa Insurance Division lists actuaries currently performing in the State of Iowa
 - http://www.iid.state.ia.us/about_us/ProductReg/LifeHealth/docs/509a-act.htm
- Discuss possible use of RFP process for procuring an actuary

(F) Discuss implementation requirements for component units, if any.

- Component units (CU) must implement in the same year as the primary government (PG)
- Blended CU – may be included in the PG actuarial valuation. Actuarially determined OPEB liability and related amounts may be blended with the PG information/amounts.

CITY Sample City Accrual**June 30, 2008****OPEB PLANNING CONFERENCE
GAAP Basis**

- Discrete CU – may be included in the PG actuarial valuation. Discrete CU's proportionate share of the actuarially determined OPEB liability and related amounts must be determined for separate reporting.
- (G) Discuss the necessity of having actuary prepare separate OPEB liability/expense calculations for BTA/enterprise department/fund employees.
- These separate amounts will be needed to report OPEB liability/expense in the separate enterprise funds (i.e., water, sewer, garbage, electric, etc.)
 - Separate information for BTA versus GA will be needed for the note disclosures and RSI information
- (H) Discuss effect on audit opinion if City does not implement GASB Statement 45.
- Qualified or adverse opinion on financial statements
 - ◆ Likely adverse since it will be difficult to determine materiality without the actuarial information
- (I) Discuss potentially adverse effect on bond rating

Acknowledgement:

Finance Director or City Clerk

Date

June 30, 2008

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objective and related assertion:					
A. Provide a document which links the report or financial statements to supporting workpapers. (12)					
Audit Procedures:					
A. Record, as necessary, accrual activity and adjusting journal entries.	A				
1. The adjusting journal entries should be consolidated on a separate page, numbered, briefly explained or described and referenced to supporting workpapers.					
2. Determine amounts due to/from Agency Funds are eliminated and recorded as cash adjustments.					
3. Obtain and document approval of City and concurrence for adjusting journal entries.					
4. Reconcile reversing journal entries with prior year report.					
B. Prepare closing entries for each fund, if applicable.	A				
C. Prepare cashflow worksheets for proprietary funds. The worksheets should reconcile the changes in assets, liabilities and fund equity and the operating statement activity to the cash flows for each fund. Reference the amounts on the cashflow worksheets to supporting workpapers.	A				
D. Record full accrual entries for the entity wide statements.	A				
1. The entries should be briefly explained or described and referenced to supporting workpapers. Information should be sufficient to prepare reconciliation between fund financials and entity wide statements.					
2. Reconcile reversing journal entries with prior year report.					
3. Allocate Internal Service Funds net profit/loss to the functions benefited from the services provided.					
4. Obtain City's concurrence for full accrual journal entries.					
5. Prepare journal entries necessary to restate the beginning of the year balance to full accrual.					
6. Eliminate interfund governmental activity including interfund receivables and payables and transfers.					
7. Review receipt classifications for proper reporting on entity-wide statement.					

CITY Sample City Accrual

June 30, 2008

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for trial balances, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Audit Objectives and related assertions:</p> <ul style="list-style-type: none"> A. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9) <p>Audit Procedure:</p> <ol style="list-style-type: none"> Determine that investments are reported at fair value in accordance with GASB 31. The change in fair value is recorded as net increase (decrease) in the fair value of investments. <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p> <div style="text-align:right;">InCharge _____ Date _____</div> <div style="text-align:right;">Manager _____ Date _____</div> <div style="text-align:right;">Independent Reviewer _____ Date _____</div>					

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions: A. Accounts receivable are valid and have been billed in the proper amounts, for services rendered. (1,2,4) B. Accounts receivable include all amounts still owed for activities through the end of the period. (3) C. An adequate allowance for uncollectible accounts has been established, and revenue, accounts receivable and related disclosures are adequate and properly presented in the combined financial statements. (4,10,11,12,13) Audit Procedures: A. Obtain or prepare schedules of receivables. 1. The schedules should include: a. Property and other tax receivable. b. Accounts receivable. c. Succeeding year property tax receivable (GASB 33). d. Accrued interest. e. Amounts due from other governments (Including grants). f. Amounts due from other funds. g. Special assessments. h. Utility billings receivable. i. Unbilled usage receivable. j. Other (list): _____ _____ _____ _____ 2. Reconcile receivables to the trial balance. 3. Confirm material receivables, if applicable, and investigate any discrepancies. 4. Document reason(s) for not confirming. B. Alternative procedures to confirmation. 1. Perform tests to verify receivables represent goods/services performed prior to June 30. 2. Trace receivables to subsequent receipt and deposit. C. Test deposits made in the next year to determine if amounts should have been recorded as a receivable in the current year. D. Determine interfund receivables and payables reconcile and trace to approvals. E. Determine the necessity for or adequacy of the allowance for doubtful accounts.					
	A,B				
	A				
	B				
	A,B				
	C				

June 30, 2008

[illegible]

CITY Sample City Accrual**June 30, 2008****PREPAID EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions:					
A. Prepaid expenses are properly recorded and represent a complete listing of material costs that are allocable to future periods and are properly amortized on a basis consistent with that used in prior periods. (1,2,3,4)					
B. Prepaid expenses are properly described and classified and related disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of material prepaid expenses.	A				
B. Examine supporting documentation and verify reasonableness of computed prepaid amounts.	A				
C. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
D. Determine whether prepaid expenses are properly classified and disclosures are adequate.	B				

PREPAID EXPENSES

[illegible]

CITY Sample City Accrual**June 30, 2008****INVENTORY**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions:					
A. Inventory recorded represents a complete listing of materials and supplies owned by the City and such assets are physically on hand. (1,2,3)					
B. Inventory listings are accurately priced, extended, footed and summarized and the totals are properly reflected in the accounts. (4)					
C. Inventory is properly classified by fund type in the combined balance sheet and disclosure is made of related equity reserve if appropriate. (10,11,12,13)					
Audit Procedures:					
A. Inventory Observation	A				
1. Test count a selection of items. Count items of larger dollar and quantity amounts.					
2. Trace amounts of inventory per listing to amounts on hand.					
3. Trace amounts of inventory on hand to amounts on listing.					
4. Obtain cut-off information.					
5. Document any reason(s) inventories were not observed.					
B. Obtain a final inventory listing at June 30 and trace auditor's counts into this listing.	A,B				
1. Foot listing and test extensions of selected items for mathematical accuracy.					
2. Review list for reasonableness.					
3. Evaluate cut-off procedures.					
C. Price Tests	B				
1. Determine inventory valuation method.					
2. Make a list of inventory items to be price tested and request City to locate invoices.					
3. Verify unit costs of inventory items selected.					
4. If applicable, trace to perpetual records.					
D. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
E. Determine whether inventories are properly classified and disclosures are adequate.	C				

INVENTORY

[illegible]

CITY Sample City Accrual**June 30, 2008****CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions: A. Capital assets represent a complete and valid listing of capitalizable cost of assets purchased, constructed or leased by the City, and are physically on hand. (1,2,3,4) B. “Additions” or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. (1,2,3,4) C. “Deletions” of capitalized costs and, if applicable, related depreciation associated with all sold, abandoned, damage or obsolete capital assets have been removed from the accounts. (1,2,3,4) D. Depreciation and the related allowance account has been computed on an acceptable basis consistent with that used in the prior year. (4,7) E. Capital expenditures and capital assets are properly classified by fund or type of activity in the combined financial statements and related disclosures are adequate. (10,11,12,13) Audit Procedures: A. Obtain a reconciliation of capital asset activity for the fiscal year. B. Document the capitalization policy for each class of asset. C. Trace a selection of equipment additions to the list of assets. 1. Determine major additions were authorized by the Council. 2. Determine classification as an asset, rather than repair and maintenance expense, is consistent with policy. 3. Observe existence of the fixed asset addition. 4. If capital asset additions were not included in the expenditure test population, examine invoices and other supporting documentation for each tested addition. 5. For reporting: a. Identify related expenditure functions for capital asset additions. Prepare journal entry to eliminate these expenditures from entity wide statements. b. Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets that were acquired through expenditures made by other governments. c. Analyze the capital projects expenditures to determine completeness of capital asset additions and discuss with City management whether uncapitalized expenditures should be reclassified to repair and maintenance.					
	B				

CITY Sample City Accrual**June 30, 2008****CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
d. For construction in progress, determine and document the status at year-end.					
D. Deletions:	C				
1. Trace to supporting documentation.					
2. Trace to authorization.					
3. Trace proceeds to cash receipts journal.					
4. Determine the gain/loss on disposal of capital assets.					
E. Trace a selection of capital assets to physical existence.	A				
1. Select items to trace from the listing to the actual asset.					
2. Select items to trace from the actual asset to the listing.					
F. Foot additions, deletions and capital asset listing.	A,B,C, D				
G. Depreciation:	D				
1. Document depreciation policy and useful lives used by each class of asset.					
2. Determine if depreciation methods and useful lives are consistently applied.					
3. Verify mathematical accuracy.					
4. Test computation of depreciation expense and extension of accumulated depreciation.					
5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.					
H. Analyze equipment leases to determine if they meet FASB 13 and FASB 145 criteria.	A				
I. If an impairment of capital assets exists under GASB 42 criteria:	C,E				
1. Determine appropriate adjustments were made to the asset valuation.					
2. Determine required disclosures were included for capital asset impairments.					
3. Determine insurance recoveries on impaired assets were properly recorded.					
J. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
K. Determine whether capital assets are properly classified and disclosures are adequate.	E				

June 30, 2008

CAPITAL ASSETS

[illegible]

CITY Sample City Accrual**June 30, 2008****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions:					
A. Liabilities at the statement of net assets date are properly supported. (1)					
B. Liabilities are properly authorized, represent the correct amounts of currently payable items in the proper period and reflect all outstanding obligations. (2,3,4)					
C. Liabilities are properly recorded, classified and disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Current Liabilities					
1. Obtain or prepare a list of payables and identify amounts as follows:					
a. Accounts payable					
b. Accrued payroll and payroll taxes.					
c. Due to other funds.					
d. Due to other governments.					
e. Contracts payable (including retainage, if applicable).					
f. Anticipatory warrants.					
g. Accrued interest.					
h. Matured portion of accrued compensated absences for governmental funds.					
i. Estimated losses from loss contingencies (including incurred but not reported claims relating to self insurance funds).					
j. Customer deposits payable					
k. Matured portion of termination benefits for governmental funds.					
l. Other (list):					

2. Foot listings for accuracy.					
3. Test the accuracy and classification of recorded liabilities by examining supporting documentation.	A,B,C				
B. Deferred Revenue					
1. Determine a deferred revenue account is established for delinquent property taxes, succeeding year property taxes, and other revenues have been accrued that are measurable but not available.	B				

CITY Sample City Accrual**June 30, 2008****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Determine reasonableness of deferred accounts.	A,B				
3. Trace to supporting documentation.					
C. Compensated Absences					
1. Review the City's policies for earned vacation, sick leave and related FICA/IPERS benefits.	A				
2. Obtain a summary of compensated absences at June 30 and foot the summary.					
3. Determine the amounts have been determined in accordance with the provisions of GASB 16, including salary-related payments such as employer's share of social security and pension plan contributions, as applicable.	B				
4. Distinguish between:	C				
a. Matured portion for retirement or resignation not paid at June 30 for governmental funds.					
b. Long term portion:					
1) Due within one year.	B				
2) Due after one year.					
5. Review for reasonableness.	A,B, C				
6. Select amounts to test the validity of compensated absences:					
a. Trace to supporting data.					
b. Recalculate hourly rate, number of hours earned, and unused and extensions.					
c. Determine appropriateness of charges to various funds.					
D. Long-Term Debt					
1. Obtain or prepare a schedule of long-term debt including the following:	A				
a. General obligation bonds.					
b. Lease-purchase agreements/capital leases.					
c. Installment purchase contracts.					
d. Judgments and claims.					
e. Compensated absences:					
1) Portion due within one year.					
2) Portion due after one year.					
f. Termination benefits.					

CITY Sample City Accrual**June 30, 2008****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
g. Other (list): _____ _____ _____					
2. Determine the reasonableness of the amounts recorded.	B				
3. Termination benefits					
a. Review the entity's termination benefits plan and determine that the plan was properly approved.					
b. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the entity's current year expense and liability as of June 30.	A				
c. Distinguish between:	C				
1) Matured termination benefits not paid at June 30 for governmental funds.					
2) Long-term portion.					
. due within one year.					
. due after one year.					
d. Select a number of eligible employees under the plan to determine if:	B				
1) the employees meet the requirements noted in the policy.					
2) the employees were properly approved for participation in the plan.					
3) the current year expense and liability were properly calculated as of June 30.					
e. Inquire of entity personnel about other eligible employees not included in the list.	B				
f. Prepare the necessary footnote disclosure, including:	C				
1) A general description of the termination benefit arrangements, including, but not limited to:					
. Information about the type(s) of benefits provided.					
. The number of employees affected.					
. The period of time over which benefits are expected to be provided.					

CITY Sample City Accrual**June 30, 2008****LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2) The costs of termination benefits in the period in which the employer becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements.</p> <p>3) The significant methods and assumptions used to determine the termination benefit liabilities and expenses.</p>					
<p>E. Unrecorded Liabilities</p> <p>1. Perform a search for unrecorded liabilities, including the following sources, and schedule findings to show the effect of the potential adjustment on operations or financial position:</p> <p>a. Examine files of receiving reports unmatched with vendors' invoices, searching for significant items received on or before the balance sheet date.</p> <p>b. Inspect files of unprocessed invoices and vendors' statements for unrecorded liabilities.</p> <p>c. Review the cash disbursements journal for disbursements after the balance sheet date; obtain and examine supporting detail for each disbursement of \$ _____ and over and determine accounts payable as of the statement of net assets date were properly recorded.</p> <p>d. Inquire of responsible client staff about their knowledge of additional sources of unprocessed invoices, unrecorded commitments, or contingent liabilities. Indicate who responded to our inquiry in the remarks columns.</p>	B				
<p>F. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p>					
<p>G. Determine whether liabilities are properly classified and disclosures are adequate.</p>	C				

CITY Sample City Accrual

June 30, 2008

LIABILITIES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for liabilities, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

CITY Sample City Accrual**June 30, 2008****FUND BALANCE/NET ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and related assertions:					
A. All and only properly authorized reservations and designations of the fund balance are recorded. (1,2,3)					
B. Components of fund balances are determined in accordance with state and local regulations and requirements. (2)					
C. Components of fund balances and changes in fund balances are properly computed and are described, classified and disclosed appropriately, as applicable, in the entity wide and/or fund financial statements. (4,10,11,12,13)					
Audit Procedures:					
A. Reconcile beginning and year-end fund balance. (Note: For convenience, the term "fund balance" is used in this section as a broad term to describe all components of fund equity. Fund equity of proprietary fund types consist of net assets, which may have restricted and unrestricted components.)					
B. Analyze and verify the changes in all fund balances and trace to supporting documentation, as applicable.	A,B				
C. Determine the proper amount of fund balance has been reserved for inventories, prepaid expenses, supplemental levies or other items, as applicable.	B				
D. Determine reservations and/or designations of fund balances were properly authorized based on review of the minutes, debt agreements, etc. (i.e. amounts maintained in a trust fund for closure/postclosure financial assurance should be recorded as restricted assets.)	A				
E. Determine on the entity wide statements the proper classification of net assets:	C				
1. Invested in capital assets net of related debt.					
2. Restricted net assets.					
3. Unrestricted net assets.					
F. Determine the proper classification of fund balance for report purposes.	C				
G. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

June 30, 2008

FUND BALANCE/NET ASSETS[illegible]

CITY Sample City Accrual**June 30, 2008****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
NOTE: This section should be used for GAAP cities in place of the "Insurance and Self Insurance" section in the City audit program.					
Audit Objectives and related assertions:					
A. Claims paid in the period are recorded correctly as to account, amount and period and are disbursed in accordance with the City's policies and procedures for claims settlement. (5,6,7,8)					
B. Reserves for claim losses represent a reasonable estimate of the City's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4)					
C. Insurance (self-insurance) revenues, operating transfers, expenditures, assets, liabilities and fund equity (net assets) are properly classified and described in the fund financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Inquire about the City's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities.					
B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to:	C				
1. Determine if reasonable and current.					
2. Determine significant areas in which risk is retained.					
C. If a separate insurance fund has been established, consider analytical procedures such as comparing claims disbursements/expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).	A				
D. Review charges by the insurance fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification, Section C50.121-126).	A				
1. If General Fund is used, may use any method to allocate loss expenditures/expenses to other funds of the entity. Transactions constituting reimbursements of the General Fund for expenditures/expenses initially made from it properly applicable to another fund should be reported as expenditures or expenses in the reimbursing fund and as reductions of the expenditure/ expense in the General Fund.					
2. If Internal Service Fund is used, may use any basis considered appropriate to charge other funds as long as the total charge is either calculated in accordance with the criteria of FASB 5 or is based on an actuarial method or historical cost information and adjusted over a reasonable					

CITY Sample City Accrual**June 30, 2008****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>period of time. If latter method is used (actuarial method or historical cost information method), an additional charge may be made to other funds representing a reasonable provision for expected future catastrophic losses. Charges (billings) should be recognized as revenue by the Internal Service Fund and as expenditures/expenses by the other funds.</p> <p>3. For either General or Internal Service Funds, billings in excess of the accrual should be accounted for as operating transfers.</p> <p>E. Review estimates of losses from claims with a responsible official and determine if properly recorded as an expenditure/expense and liability. Estimates should include:</p> <ol style="list-style-type: none"> 1. Reported claims meeting criteria of FASB 5 and GASB Codification, Section C50.110-120. 2. Incurred but not reported (IBNR) claims that meet criteria of FASB 5. Determine the basis used to estimate IBNR claims is reasonable. 3. If the City participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meets criteria of FASB 5. 4. If the City participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with responsible official and determine if liability should be recorded based on certain conditions. 5. If the City participates in a public entity risk pool, inquire with responsible official about the City's plans for continuing its participation in the pool. If the City has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate. <p>F. If the City has a self-funded health insurance plan, including self-funded deductibles:</p> <ol style="list-style-type: none"> 1. Obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa. 2. Examine report to determine reasonableness of reserves. Determine if additional liability should be recorded in City's financial statements. <p>G. If an outside administrator or service company is used:</p> <ol style="list-style-type: none"> 1. Obtain a copy of the annual report on the status of the program. 2. Review report for estimates of liabilities for claims filed and IBNR claims. 	B				
	B				
	A,B				

CITY Sample City Accrual**June 30, 2008****INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. Compare report with prior periods and discuss any unusual variances with responsible official.</p> <p>4. Compare amounts in report with recorded estimated liabilities.</p> <p>H. Determine adequacy of financial statement presentation and disclosures.</p> <p>1. Financial statement presentation considerations should include:</p> <p>a. If a single fund is used to record risk financing activities, should be either General Fund or Internal Service Fund.</p> <p>b. Loss liabilities for governmental and special revenue funds should be recognized using the modified accrual basis of accounting (i.e. current portion recorded as an expenditure and fund liability and long-term portion recorded in the entity wide statements).</p> <p>c. Loss liabilities for an Internal Service Fund (or other proprietary funds) should be recorded as a fund liability of the Internal Service Fund (or other proprietary funds).</p> <p>d. For Internal Service Funds, any amount in net assets arising from an optional additional charge for catastrophic losses should be reported as designated.</p> <p>e. If the City participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.</p> <p>f. If the City made contributions to a public entity risk pool with transfer or pooling of risk:</p> <p>1) Determine contributions are recorded as deposits if a return of those contributions is probable.</p> <p>2) If not probable, then determine contributions are recorded as prepaid insurance to be allocated as expenditures/expenses over future periods <u>or</u> alternatively, in governmental funds, as expenditures in the period made.</p> <p>2. Disclosures should include:</p> <p>a. Description of risks of loss the City is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool, or risk retention). Describe significant reductions, if any, in insurance coverage from the</p>	C				

Reviewer _____ Date _____